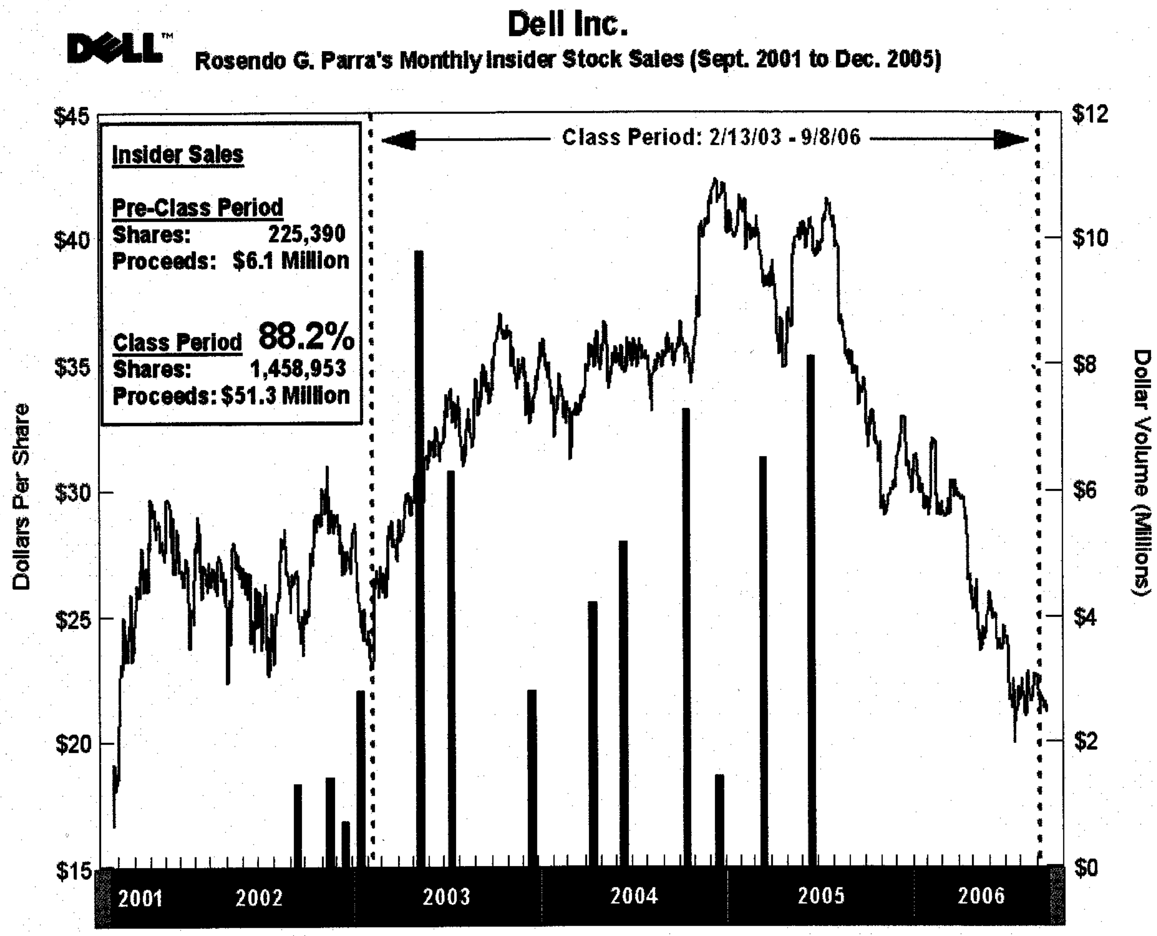
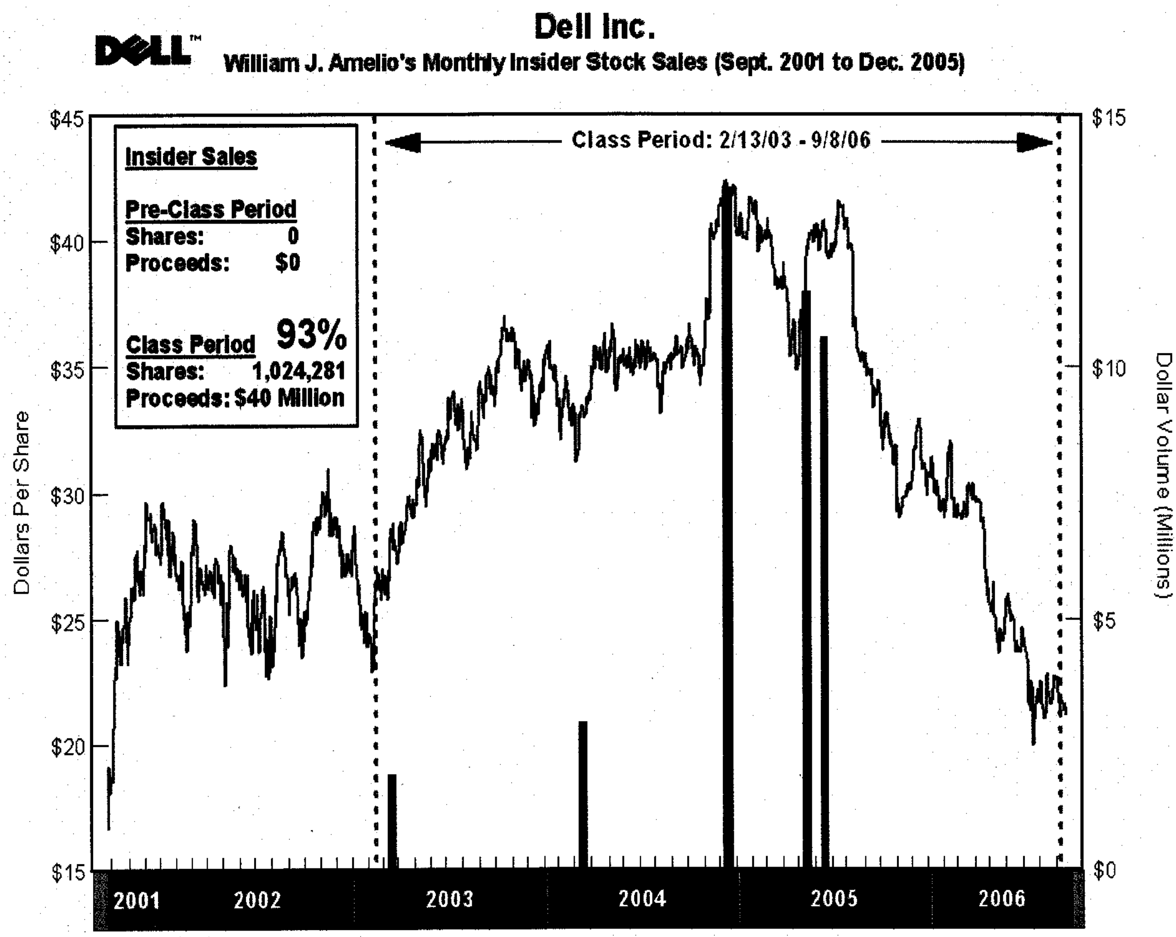
Parra sold 1,458,953 shares of his Dell stock (88.2% of the shares he owned) for $51,266,953 in insider trading proceeds. Defendant Parra may be served at 3725 Hunterwood Point, Austin, Texas 78746. These sales were unusual in timing and amount and inconsistent with Parra's historical Dell stock sales, as the following chart shows.

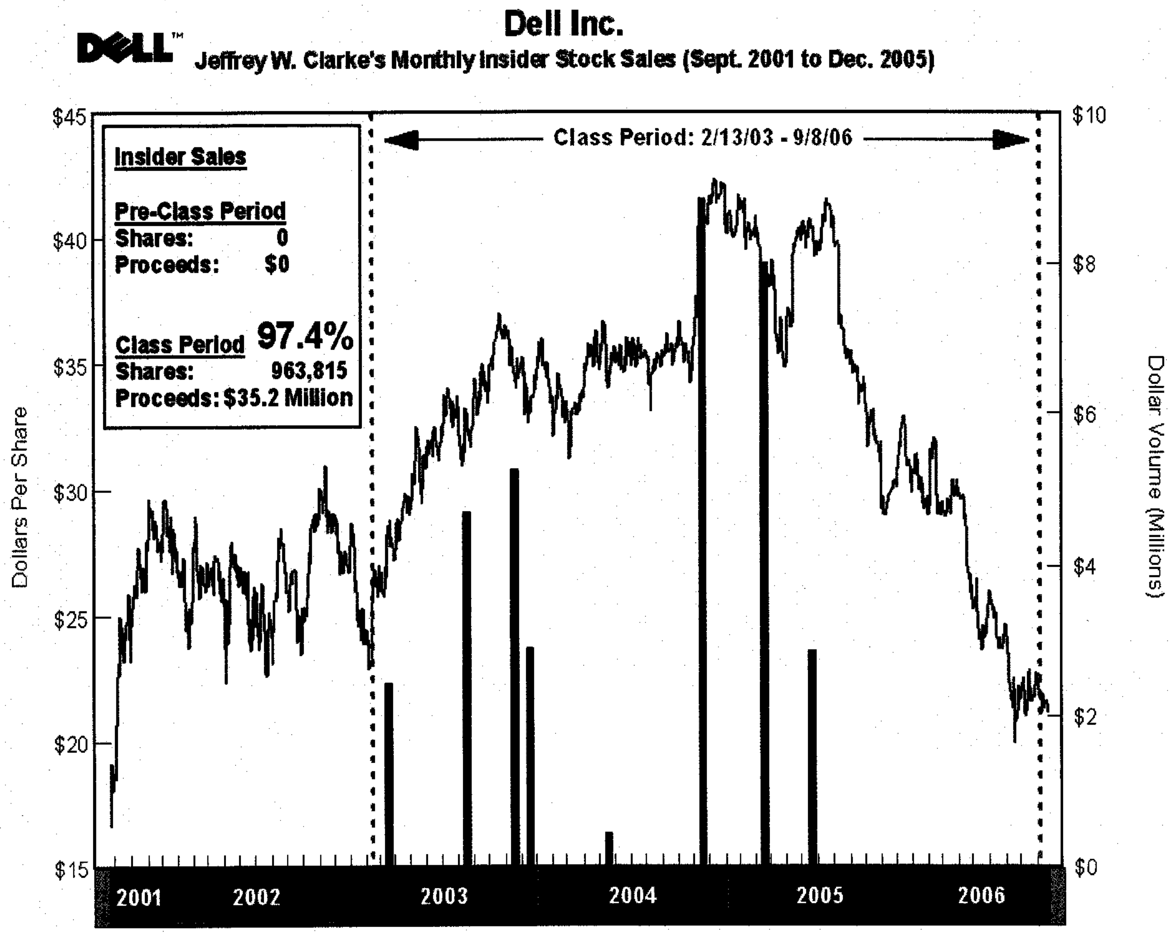


(g) Defendant William J. Amelio ("Amelio") was, during the Class Period, Senior Vice President-Asia of Dell. Amelio was thoroughly knowledgeable about all aspects of Dell's business operations as he received constant reports regarding sales, demand, product quality and customer service and support issues, including customer satisfaction metrics such as the "likely to repurchase" measure. He reviewed and approved Dell's SEC filings and Annual Report to Shareholders and signed Dell's F03, F04 and F05 10-Ks. During the Class Period, Amelio sold 1,024,281 shares of his Dell stock (93.0% of the shares he owned) for $40,067,747

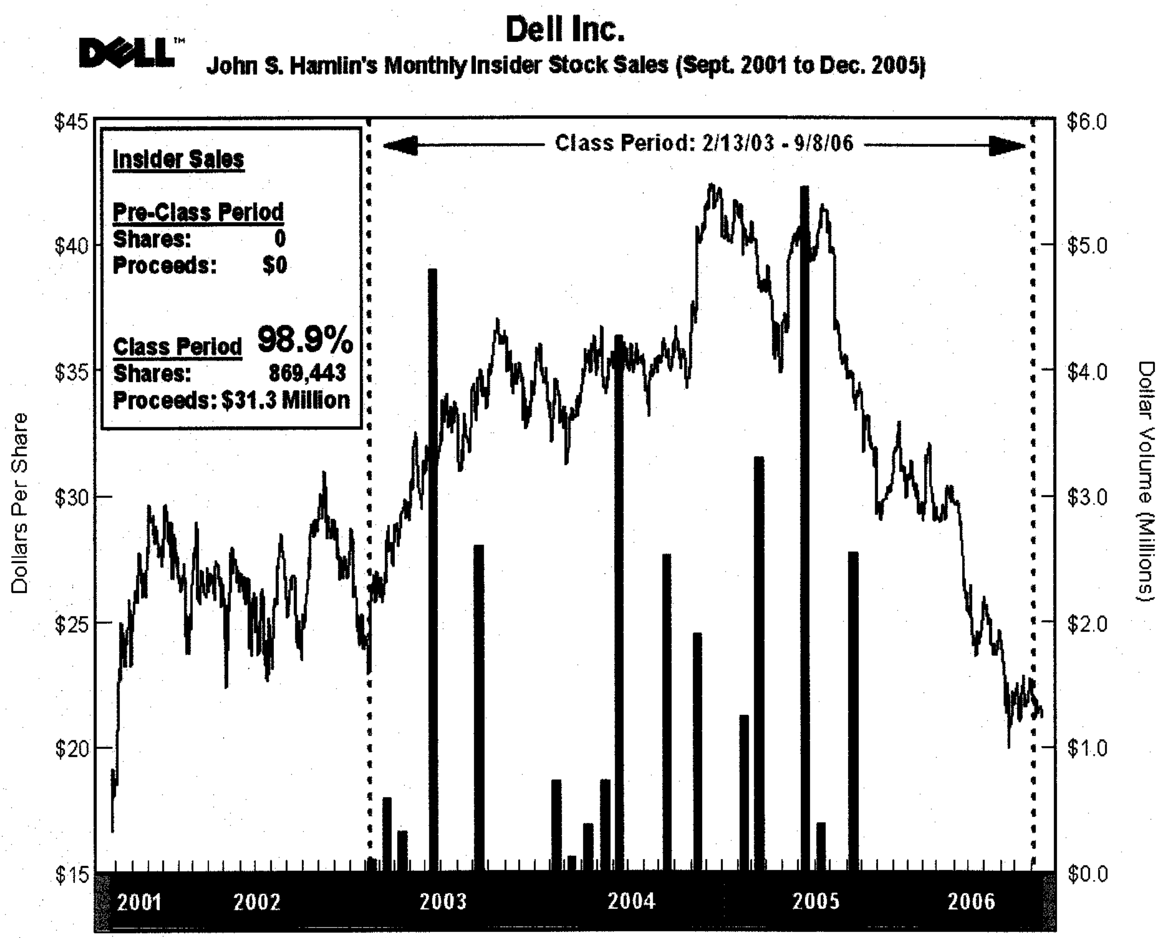
in insider trading proceeds. Defendant Amelio may be served at 208 Bella Vista, Austin, Texas 78734. These sales were unusual in timing and amount and inconsistent with Amelio's historical Dell stock sales, as the following chart shows.



(h) Defendant Jeffrey W. Clarke ("Clarke") is Senior Vice President-Products of Dell. Clarke was thoroughly knowledgeable about all aspects of Dell's business operations as he received constant reports regarding sales, demand, product quality and customer service and support issues, including customer satisfaction metrics such as the "likely to repurchase" measure. During the Class Period, Clarke sold 963,815 shares of his Dell stock (97.4% of the shares he owned) for $35,207,325 in insider trading proceeds. Defendant Clarke may be served at 1386 Patterson Road, Austin, Texas 78733. These sales were unusual in timing and amount and inconsistent with Clarke's historical Dell stock sales, as the following chart shows.

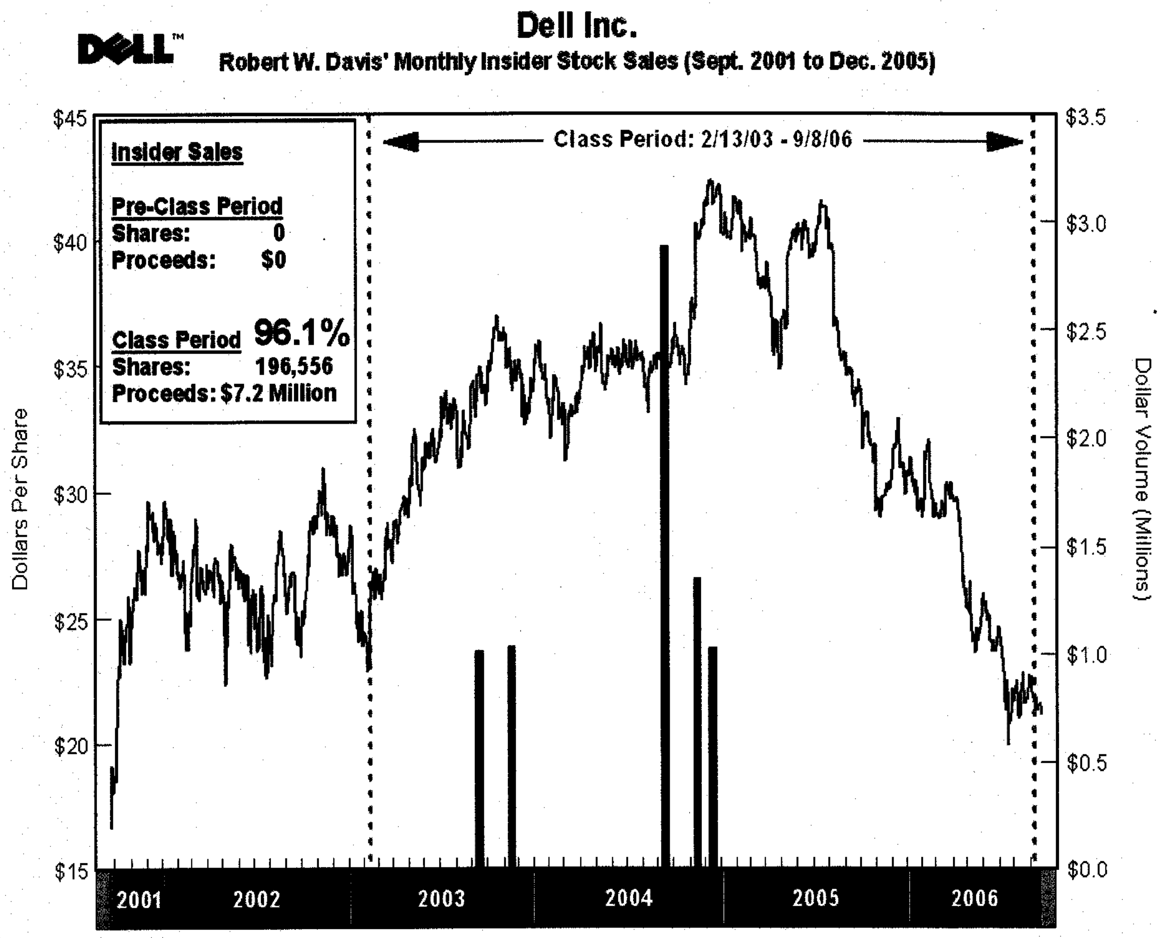


(i) Defendant John S. Hamlin ("Hamlin") is Senior Vice President-Global Online Business of Dell. Hamlin was thoroughly knowledgeable about all aspects of Dell's business operations as he received constant reports regarding sales, demand, product quality and customer service and support issues, including customer satisfaction metrics such as the "likely to repurchase" measure. During the Class Period, Hamlin sold 869,443 shares of his Dell stock (98.9% of the shares he owned) for $31,336,831 in insider trading proceeds. Defendant Hamlin may be served at 5115 Fossil Rim Road, Austin, Texas 78746. These sales were unusual in timing and amount and inconsistent with Hamlin's historical Dell stock sales, as the following chart shows.



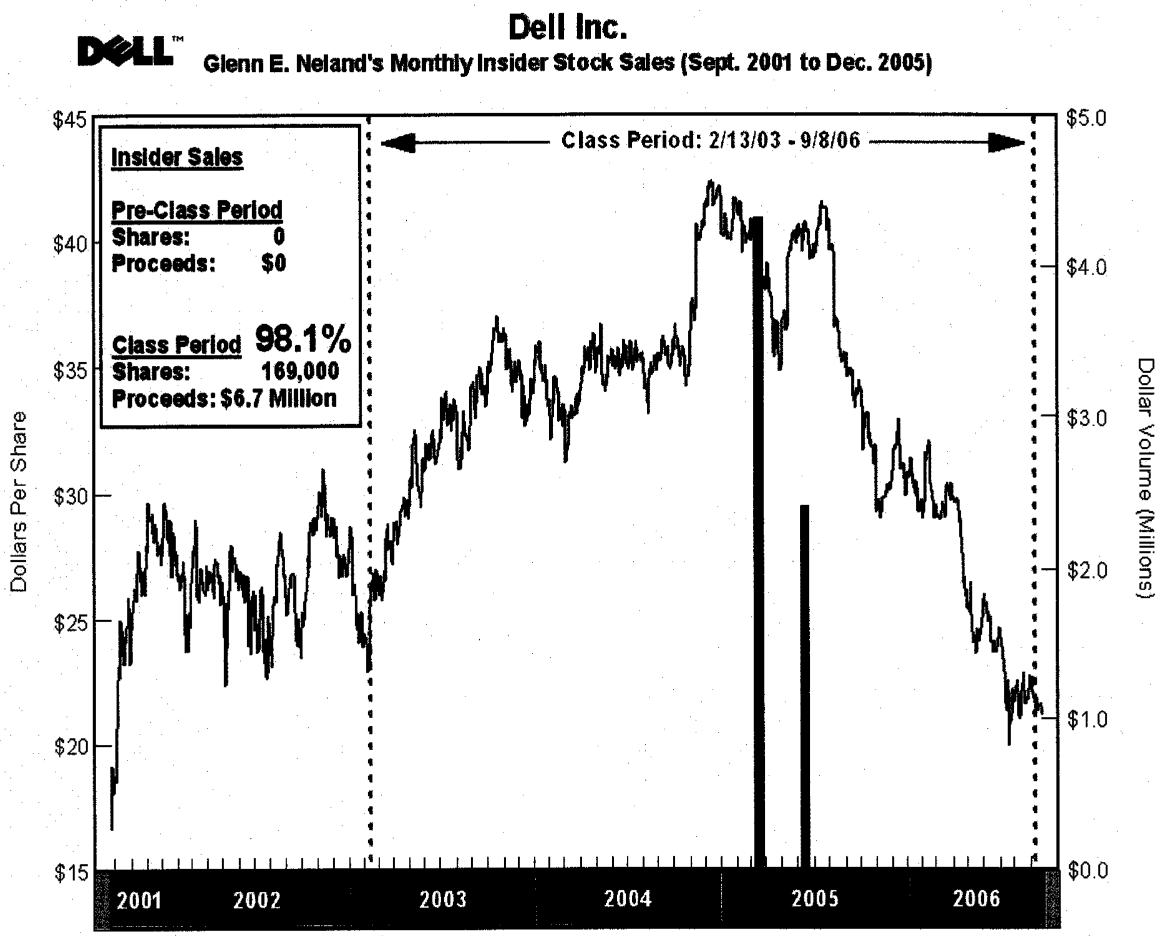
(j) Defendant Robert W. Davis ("Davis") was, during the Class Period, Chief Accounting Officer of Dell. Davis was thoroughly knowledgeable about all aspects of Dell's business operations as he received constant reports regarding sales, demand, product quality and customer service and support issues, including customer satisfaction metrics such as the "likely to repurchase" measure. Davis was intimately involved in the preparation of Dell's quarterly and annual financial statements, including the amounts of reserves and what disclosures would be made, and the functioning of Dell's internal financial and accounting and disclosure controls. Davis was also intimately involved in and fully knowledgeable concerning Dell's dealings with Intel regarding the exclusivity "kickbacks" and the agreement between Dell and Intel not to disclose the existence or amount of those payments. He reviewed and approved Dell's SEC filings and Annual Report to Shareholders and signed Dell's F03 and F04 10-Ks. During the

Class Period, Davis sold 196,556 shares of his Dell stock (96.1% of the shares he owned) for $7,247,401 in insider trading proceeds. Defendant Davis may be served at One Dell Way, Round Rock, Texas 78682. These sales were unusual in timing and amount and inconsistent with Davis' historical Dell stock sales, as the following chart shows.

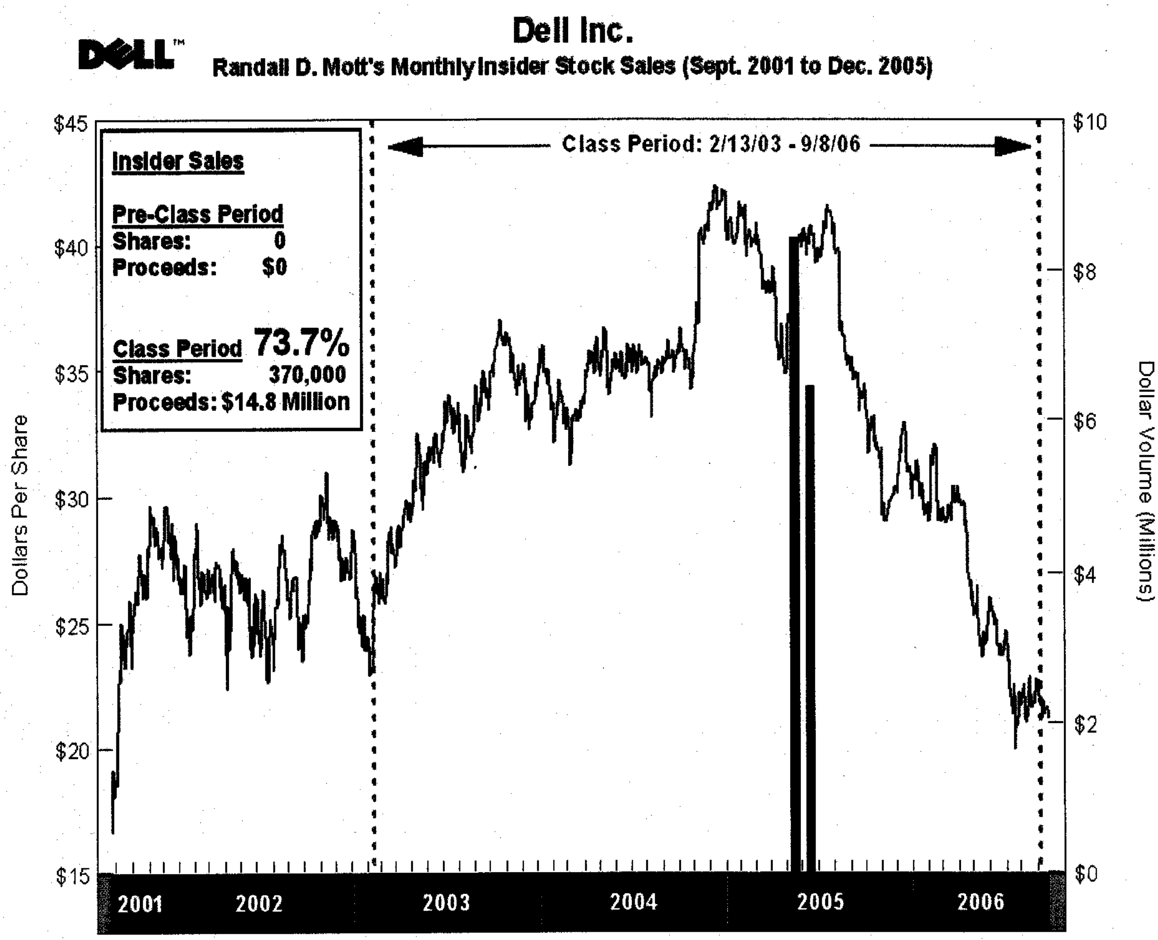


(k) Defendant Glenn E. Neland ("Neland") is Senior Vice President-Worldwide Procurement of Dell. Neland was intimately involved in and fully knowledgeable concerning Dell's dealings with Intel regarding the exclusivity "kickbacks" and the agreement between Dell and Intel not to disclose the existence or amount of those payments. During the Class Period, Neland sold 169,000 shares of his Dell stock (98.1% of the shares he owned) for $6,675,330 in insider trading proceeds. Defendant Neland may be served at 1500 Barton Creek

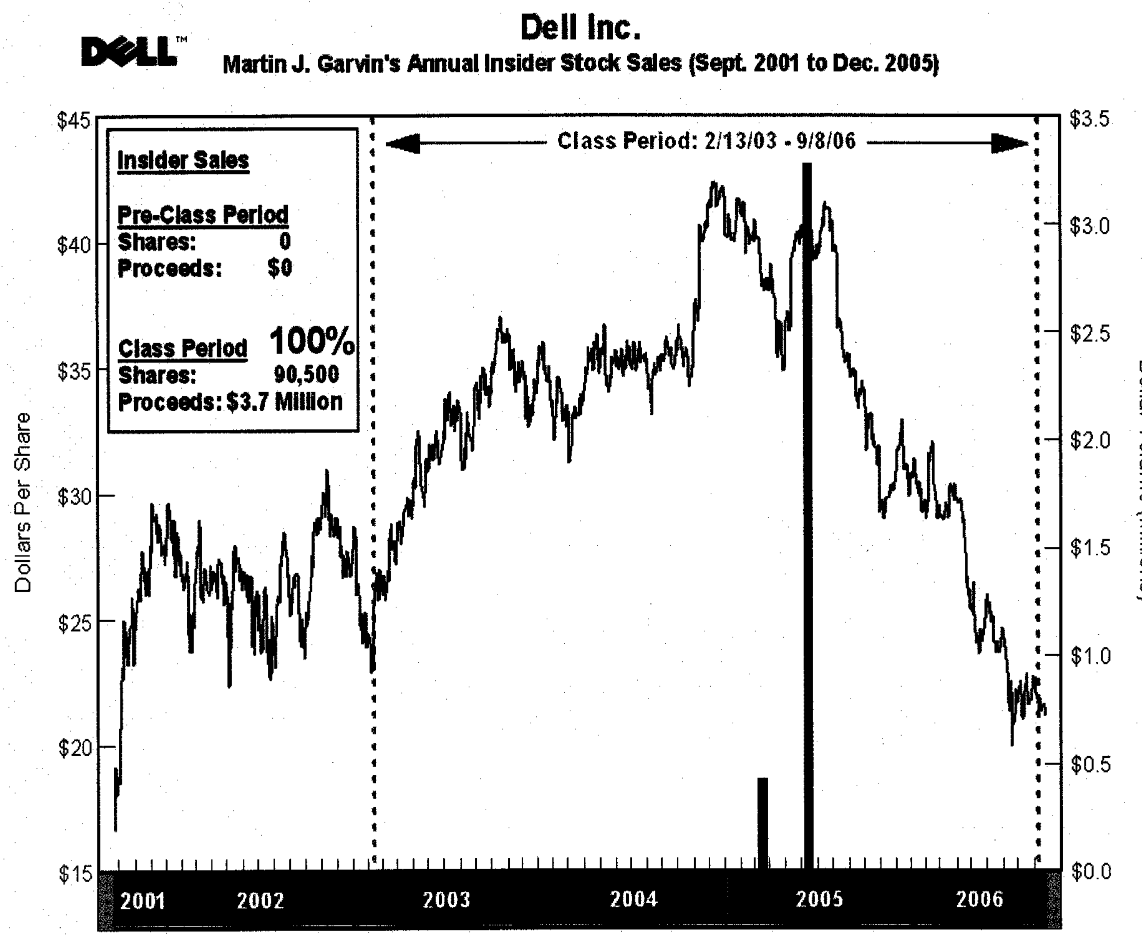
Blvd., Austin, Texas 78735. These sales were unusual in timing and amount and inconsistent with Neland's historical Dell stock sales, as the following chart shows.



(l) Defendant Randall D. Mott ("Mott") was, during the Class Period, Senior Vice President and CIO of Dell. Mott was intimately involved in and fully knowledgeable concerning Dell's internal financial and accounting and disclosure controls and the management information system by which Dell's top executives had instantaneous access to vital factors impacting Dell's sales, product quality and customer service and satisfaction. During the Class Period, Mott sold 370,000 shares of his Dell stock (73.7% of the shares he owned) for $14,769,800 in insider trading proceeds. Defendant Mott may be served at 3205 Winding Creek Drive, Austin, Texas 78735. These sales were unusual in timing and amount and inconsistent with Mott's historical Dell stock sales, as the following chart shows.

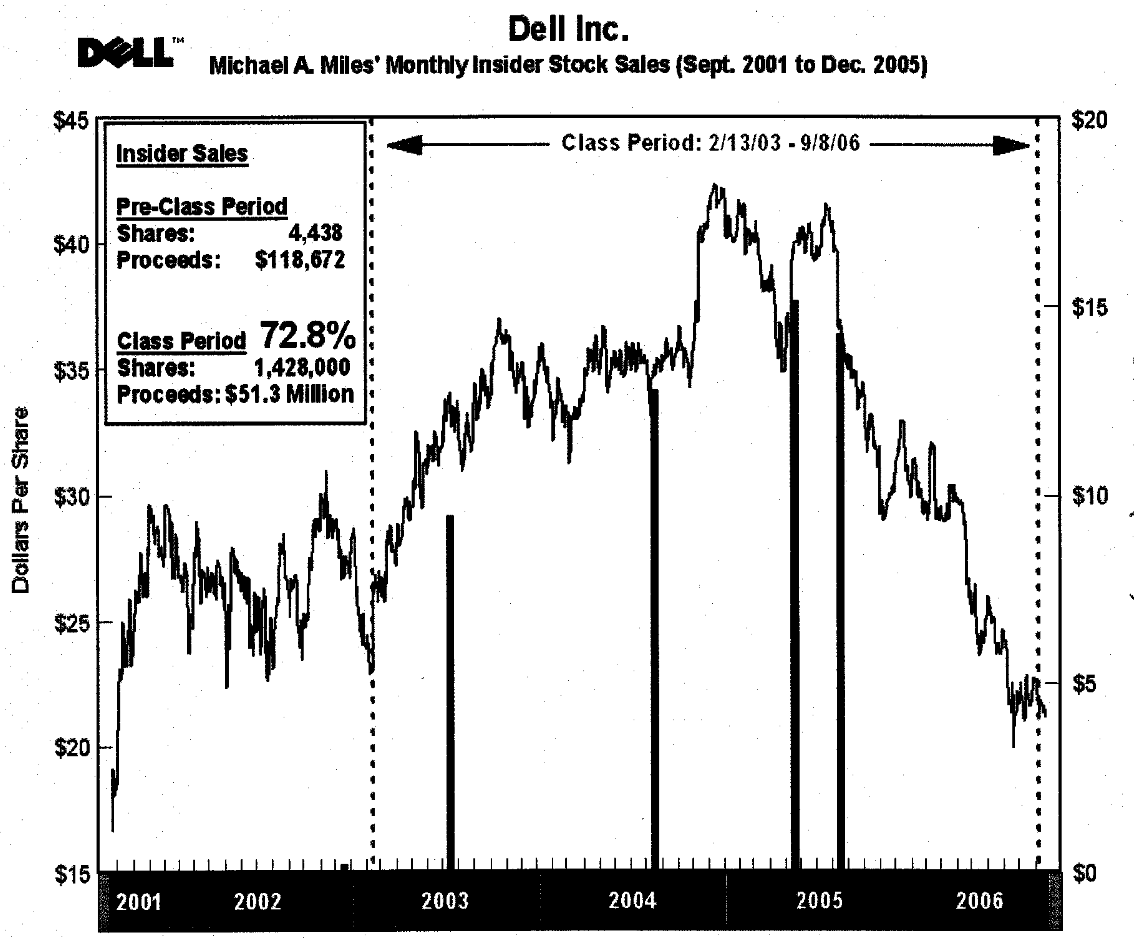


(m) Defendant Martin J. Garvin ("Garvin") is Senior Vice President-Worldwide Procurement of Dell. Garvin was intimately involved in and fully knowledgeable concerning Dell's dealings with Intel regarding the exclusivity "kickbacks" and the agreement between Dell and Intel not to disclose the existence or amount of those payments. During the Class Period, Garvin sold 90,500 shares of his Dell stock (100% of the shares he owned) for $3,666,680 in insider trading proceeds. Defendant Garvin may be served at 8112 Navidad, Austin, Texas 78735. These sales were unusual in timing and amount and inconsistent with Garvin's historical Dell stock sales, as the following chart shows.

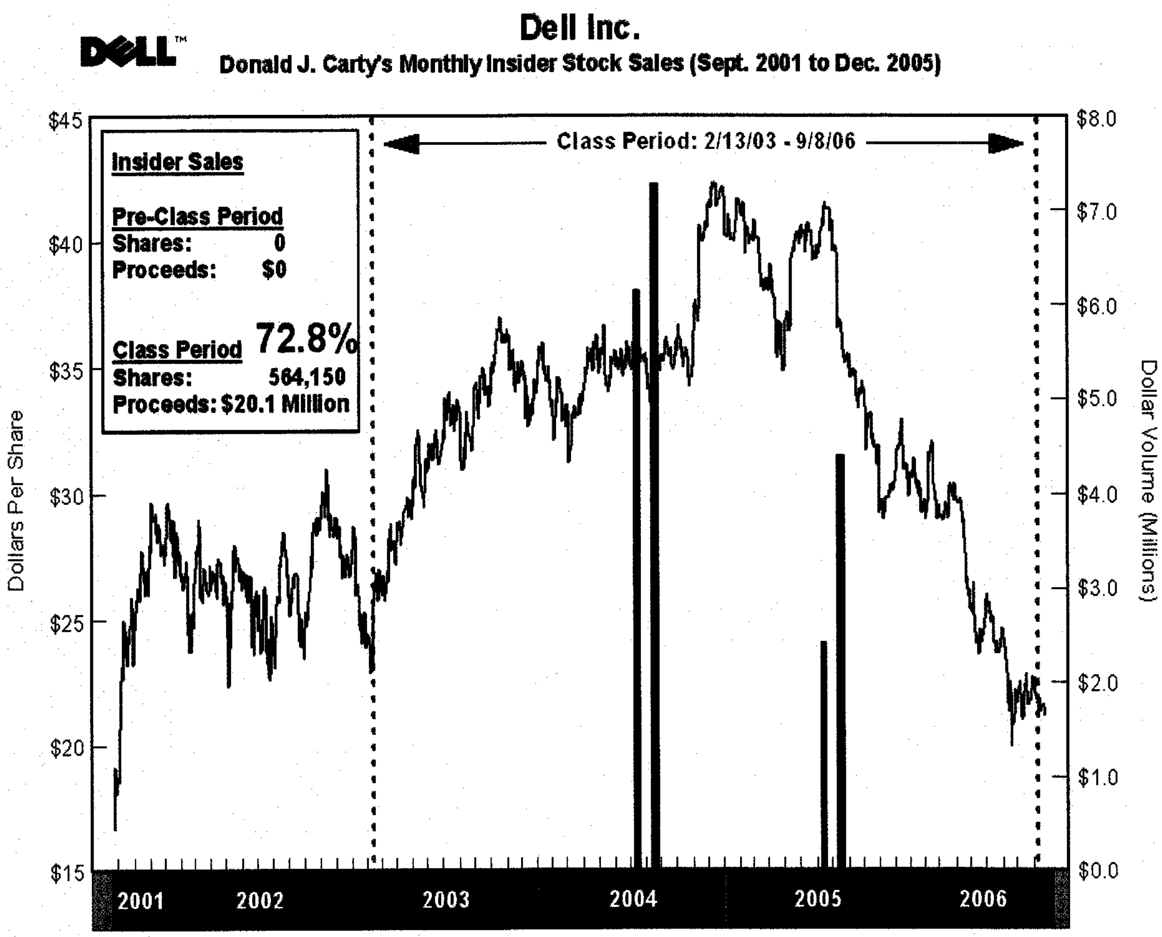


(n) Defendant Thomas B. Green ("Green") was, during the Class Period, Senior Vice President Law and Secretary of Dell. Green reviewed for accuracy and legal compliance and helped draft Dell's SEC filings and corporate releases during the Class Period. Green was also intimately involved in and fully knowledgeable concerning Dell's dealings with Intel regarding the exclusivity "kickbacks" and the agreement between Dell and Intel not to disclose the existence or amount of those payments. During the Class Period, Green sold 384,000 shares of his Dell stock (69.7% of the shares he owned) for $12,453,120 in insider trading proceeds. Defendant Green may be served at 505 Lake Cliff Trail, Austin, Texas 78746. These sales were unusual in timing and amount and inconsistent with Green's historical Dell stock sales, as the following chart shows.

(o) Defendant Michael A. Miles ("Miles") is a director of Dell. He reviewed and approved Dell's interim and annual financial statements issued during the Class Period and signed Dell's F03, F04 and F05 10-Ks. During the Class Period, Miles sold 1,428,000 shares of his Dell stock (72.8% of the shares he owned) for $51,276,720 in insider trading proceeds. Defendant Miles may be served at 1350 Lake Road, Lake Forest, Illinois 60045. These sales were unusual in timing and amount and inconsistent with Miles' historical Dell stock sales, as the following chart shows.



(p) Defendant Donald J. Carty ("Carty") is a director and Audit Chairman of Dell. As Chairman of the Audit Committee, Carty was responsible for Dell's financial statements, SEC filings and the system of internal accounting and financial and disclosure controls underlying those financial statements and reports. He reviewed and approved Dell's interim and annual financial statements issued during the Class Period and signed Dell's F03, F04 and F05 10-Ks. During the Class Period, Carty sold 564,150 shares of his Dell stock (72.8% of the shares he owned) for $20,128,490 in insider trading proceeds. Defendant Carty may be served at 4660 Meadowood Road, Dallas, Texas 75220. These sales were unusual in timing and amount and inconsistent with Carty's historical Dell stock sales, as the following chart shows.



22. Defendant PricewaterhouseCoopers LLP ("PWC") is a firm of certified public accountants engaged by Dell to provide independent auditing, accounting and management consulting services, tax services, and examination and/or review of Dell's filings with the SEC. PWC was engaged to perform these services so that Dell's financial statements could be presented to stock purchasers, government agencies, the investing public and members of the financial community. Defendant PWC may be served at 300 Madison Avenue, 24th Floor, New York, New York 10017.

23. PWC was also retained by the Company to review Dell's quarterly financial statements and to examine Dell's internal control over financial reporting.

24. PWC participated in the scheme to defraud by making false statements as to Dell's financial statements, ignoring the audit evidence that it gathered, failing to design its audit to identify Dell's improprieties and violating fundamental concepts of GAAS.

25. Defendant Intel Corporation ("Intel") is a public company which primarily manufactures and sells microprocessors or chips for computers. Intel's two largest customers were Hewlett-Packard and Dell. In order to improve its competitive position vis-à-vis other manufacturers of microprocessors/chips, especially AMD, its principal domestic competitor, Intel secretly paid very large end-of-quarter cash rebates to PC OEMs, like Dell, that purchased all or virtually all of their microprocessor/chip requirements from Intel. These rebates, which were, in fact, kickbacks, were not traditional volume-based discounts and the monies paid were separate and apart from and in addition to certain publicly known, co-marketing funds which Intel made available to certain of its customers to assist in product advertising featuring the "Intel" name. Intel feared that if these payments became known, antitrust officials in various countries would likely take legal action against Intel. Intel insisted that Dell not publicly disclose the existence of these rebate/kickback payments in their communications with securities markets or their SEC filings. Dell became very dependent upon these payments, which were made by Intel at or near the end of the Dell's quarter and had a direct, material impact on the reported operating profits and profit margins of Dell. Therefore, they agreed that Dell would not disclose the existence or amount of the payments Dell was receiving relating to the Intel exclusive-dealing rebate/kickback scheme. ***Intel, of course, did not disclose the nature or existence of its exclusive-dealing scheme in its SEC filings or other public disclosures.*** Intel knew the existence and the amount of the payments Dell was receiving from it pursuant to the exclusive-dealing rebate/kickback payment scheme was material to Dell's reported financial results and knew that Dell was not disclosing this information and that, as a result, Dell's SEC

filings, financial statements and other communications with the securities markets were false and misleading. Defendant Intel may be served at 2200 Mission College Blvd., Santa Clara, California 95054.

JURISDICTION AND VENUE

26. The claims asserted herein arise under and pursuant to §§10(b), 20(a) and 20A of the Securities Exchange Act of 1934 ("1934 Act") [15 U.S.C. §§78j(b), 78t(a) and 78t-1] and Rule 10b-5 promulgated thereunder by the SEC [17 C.F.R. §240.10b-5].

27. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and §27 of the 1934 Act [15 U.S.C. §78aa].

28. Venue is proper in this District pursuant to §27 of the 1934 Act and 28 U.S.C. §1391(b). Dell maintains its principal place of business in this District and many of the acts and practices complained of herein occurred in substantial part in this District.

29. In connection with the acts in this Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

BACKGROUND TO THE CLASS PERIOD

30. Dell suffered as a result of the 2000-2001 stock market bubble bursting and the subsequent economic downturn. Dell's stock, which had reached an all-time high of $59.68 in 3/00, collapsed to as low as $16.25 in 12/00 and remained depressed – continuing to trade as low as $16.01 – even in 9/01. This large decline in Dell's stock price greatly reduced the value of the Dell stock and stock options held by Dell's top insiders, who sharply curtailed sales of their Dell stock as that stock fell to low levels. Dell's executives wanted to push Dell's stock higher again and knew they could do so only by persuading investors that despite the fact that Dell had now grown into a huge company, selling millions of computers each year with annual revenues of $30

billion by F02,[2] it was still capable of achieving double-digit revenues and strong profit growth in an increasingly competitive environment. For this to happen, it was critical that Dell reduce its corporate expense levels and that the Dell Direct business model – "Dell Direct" –continue to excel, providing Dell with high-quality products and superior customer support and service that would fuel the sales growth necessary to provide strong ongoing profit growth.

31. As Dell's stock price increased back up to $30 per share, this restored the value of the options to purchase 387 million shares of Dell stock held by Dell's top executives and managers, which, by 12/02, were at an average weighted exercise price of $27.09 – making these options – held by Dell's top executives and managers – worth over $1.2 billion.

32. However, in late 2002 and early 2003, Dell's stock fell again, this time from over $30 per share to as low as $22.82 on 2/13/03. This was a loss of almost $20 billion in market capitalization. More importantly, this almost 25% fall in Dell's stock wiped out entirely the value of Dell insiders' 387 million options as Dell's stock fell well below the $27 average weighted exercise price, costing the Dell insiders well over one billion dollars, with the top executives losing the most. Thus, Dell's executives very much wanted to push Dell's stock price back up to much higher levels. This could only be achieved, they knew, by causing Dell to report growing profits and profit margins, while presenting the Dell Direct business model as continuing to achieve great success – giving Dell a competitive advantage over other computer manufacturers, which would result in continuing growth in profits going forward.

CLASS PERIOD FALSE STATEMENTS AND DECEPTIVE CONDUCT

33. During the Class Period, beginning on 2/13/03, Dell's top executives repeatedly told investors that unlike every other company manufacturing and selling computer hardware

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2 Dell's fiscal year ends on 1/31 of each year. Thus, Dell's F02 year ended on 1/31/02.

products, Dell alone was managing to achieve very strong profitable growth, focusing investors on its ability to achieve large amounts of operating income, high operating profit margins and growing EPS, due to double-digit sales growth fueled by the continuing success of the Dell Direct model, combined with sharp cuts in Dell's overhead expenditures, eliminating billions of dollars of annual corporate expense, but without diminishing the high quality of Dell's products or diminishing the high levels of customer service and support which were indispensable to the level of customer satisfaction necessary for Dell to achieve the sales growth necessary to achieve the financial results it was forecasting.

34. On 2/13/03, Dell reported ***record*** 4thQ F03 results for the year ended 1/31/03, via a release stating:

> **Dell's Fourth-Quarter Shipments, Revenue, Operating Income Set Company Records . . .**
>
> ***Dell ended its fiscal 2003 by posting best-ever quarterly . . . revenue and operating profit in the period ended Jan. 31.***
>
> * * *
>
> Quarterly revenue was $9.7 billion, up 21 percent from last year. ***Company earnings were 23 cents per share, an increase of 35 percent. Full-year net earnings were $2.12 billion, on record revenue of $35.4 billion. Earnings per share for fiscal 2003 reached 80 cents, up from 65 cents . . . in the prior year.***

	4th Quarter			Full Year		
	(dollars in millions)					
	FY '03	FY '02	Change	FY '03	FY '02	Change
Revenue	$9,735	$8,061	21%	$35,404	$31,168	14%
Operating Income	$819	$594	38%	$2,844	$2,271	25%
Net Income	$603	$456	32%	$2,122	$1,780	19%
EPS	$.23	$.17	35%	$.80	$.65	23%

> * * *
>
> Kevin Rollins, Dell's president and chief operating officer, [said] "***we're . . . consistently producing industry-leading operating results.***"

* * *

> ***Fourth-quarter operating income of $819 million was Dell's highest ever. As a percent of revenue, operating income was 8.4 percent, up from the third quarter and one full point higher than a year ago. Operating expenses were 9.9 percent of revenue, matching a company low.***

35. On 2/13/03, Dell held a conference call for analysts, money managers and institutional investors to discuss its business and its 4thQ F03 results, during which the following took place:

> **James M. Schneider . . . Sr. Vice President and CFO**
>
> . . . Dell outperformed the market again in the fourth quarter, improving profit margins . . . . [O]ur year-over-year revenue, units and earnings growth significantly outpaced the market. While industry revenue were down more than 2% year over year, Dell revenues increased by 21%. . . . We delivered improved profitability as operating margins increased by another 10 basis points sequentially to 8.4% . . . . [A] full point higher than last year. And our Q4 operating income of $819 million is a new company record.
>
> * * *
>
> **Kevin B. Rollins . . . President and CEO**
>
> . . . Last year, we succeeded in reducing our cost structure by over $1.2 billion. . . . And we exceeded our initial expectations . . . . We have identified even more cost savings for fiscal year '04. . . . [W]e also expect to significantly reduce our warranty cost . . . [to] optimize operating income and improve operating income margins.
>
> * * *
>
> **Michael S. Dell . . . Chairman and CEO**
>
> . . . As we enter 2003, we believe Dell is in a stronger competitive position than in any time in our history. We achieved record . . . operating income dollars . . . . Our model has advantages in every economic cycle, and . . . it is working exceptionally well . . . . Customers continue to choose Dell because they trust that we will deliver what they want at a great value. The Harris Corporate reputation poll, just released yesterday confirms this. . . . These trends will inevitably continue.

36. On 2/13/03, Bear Stearns issued a report on Dell based on the recent conference call and follow-up conversations with Schneider and Rollins. It stated:

- **Gross Margin Expands** . . . . Gross margin of 18.3%, versus 17.6% last year and last quarter's 18.2% result, was above our forecast of 18.2%, ***driven by continued component cost declines and strict cost containment initiatives***. . . .

- **Cost Efforts Still Bearing Fruit**. . . . ***Owing to these cost containment efforts coupled with declining component costs, Dell reported an operating margin of 8.4% – its best showing over the past 9 quarters – which was 10 basis points above the October quarter's 8.3% and 100 basis points over the prior year. In total, Dell reduced its cost structure by $1.2 billion in FY03 . . . .***

37. On 2/13/03, Thomas Weisel Partners issued a report on Dell based on the recent conference call and follow-up conversations with Schneider and Rollins. It stated:

- ***Margin trends solid. The gross margin was strong at 18.3% and was 20bp above our estimate. Dell continues to manage expense effectively, with operating expenses of 9.9% . . . matching its all-time low. The end result was an operating margin of 8.4%, which was up 10bp sequentially . . . . Dell continues to focus on reducing costs, and management noted that the company exceeded its goal of $1bn in cost reduction for FY03 and that it can exceed that number for FY04.***

38. On 2/14/03, Needham issued a report on Dell based on the recent conference call and follow-up conversations with Schneider and Rollins. It stated:

- ***Dell reported a picture perfect quarter. . . . The company's operating margin continued its steady upward progression to 8.4% from 7.4% a year ago.***

39. On 2/14/03, Deutsche Bank issued a report on Dell based on the conference call and follow-up conversations with Schneider and Rollins. It stated:

> ***Dell is the best-positioned PC company based on the efficiencies of its direct model*** . . . .

40. On 2/25/03, M. Dell appeared at a Goldman Sachs' conference and made a presentation to investors, money managers, institutional investors and analysts. He stated:

> [M. Dell:] . . . [W]e continue to outperform the industry . . . . [W]e improved profit margins to 8.4 percent in an environment that was reportedly more competitive than ever. . . . In terms of profitability, we held our operating expenses at 9.9 percent of revenues . . . . [W]e have been able to reduce our costs by about $1.2 billion during this past year. ***We have targeted even more for this***

***year that we have started. And looking at our cost savings over the past two plus years, or the past two years plus the current year, we expect to realize a little over $3 billion in savings* . . . . *Another difference is that our cost savings is really generated from what we think are much more sustainable activities. . . . We believe our cost savings are somewhat proprietary* . . . . *[W]e believe Dell is in a stronger position than at any time in our history. We continue to deliver superior financial results . . . achieving record performance in . . . operating income* . . . .**

41. On 3/11/03, Marengi – Dell's SVP-Americas – appeared at a Deutsche Bank Conference for analysts, investors and money managers. He made a presentation stating:

> We announced our Q4 earnings on February 13, and we outperformed the industry significantly. . . . [W]e also continued to improve our margins, and in Q4 (indiscernible) operating margins of 8.44 percent. . . . ***We ended with a record operating income of 819 million in the quarter, which was up 38 percent year on year. . . . Q4 capped a very, very strong year for Dell. . . . We grew operating margins by 100 basis points over the year, and we delivered a record operating income in Q4.***

42. In or about 4/03, Dell issued its F03 Annual Report – for the year ended 1/31/03 – to investors. Dell reported ***record*** F03 financial results in financial statements that were audited and certified by PWC (in millions, except EPS):

FISCAL YEAR ENDED	**1/31/03**	**2/1/02**	**CHANGE**
Net revenue	$ 35,404	$ 31,168	13.6%
Gross margin	$ 6,349	$ 5,507	15.3%
Operating income	$ 2,844	$ 1,789	59.0%
Net income	$ 2,122	$ 1,246	70.3%
EPS-Diluted	$ 0.80	$ 0.46	73.9%

43. The F03 Annual Report also contained a letter from Rollins and M. Dell stating:

> In the last fiscal year, we achieved . . . record revenue and record operating profit. . . .
>
> ***Fiscal 2003 was Dell's strongest year ever. We increased shipments, revenue and earnings per share at double-digit rates. We . . . raised profit margins at the same time.***
>
> * * *
>
> ***Dell's results were accomplished in the midst of economic softness around the world, a testament to the strength of our direct model.***
>
> * * *

[W]e made significant progress . . . [in] product leadership . . . creating an exceptional customer experience . . . . Improvement in those areas is helping expand our competitive advantages and sustain superior operating results for the long term.

* * *

Customer Experience. ***We've always known that volume and market-share numbers are expressions of customer experience and satisfaction. We regularly assess ourselves against a broad range of customer-focused measures, including the timeliness with which we deliver built-to-order systems, the reliability with which they perform, and the speed and quality of service and support.***

44. On 4/3/03, Dell held its annual investor/analyst conference in New York City for analysts, money managers and institutional investors. During the conference the following occurred:

[SCHNEIDER – CFO:] [W]e delivered 80 cents of EPS, $35 billion of revenues. . . . [I]n each and every one of the last eight quarters, we have met or exceeded the guidance that we have given out. ***It's a very strong, consistent performance. We set records for . . . revenues, operating income, opex as a percent of revenue.***

* * *

[A] lot of this came from very strong profitability. We improved our operating margins by 70 basis points. We took our operating expenses down to a record low of 9.9, . . . down below 10 percent of revenue, and generated record operating income of $2.8 billion.

* * *

And we're still focused on a lot more cost savings. . . . [W]e're pushing for even further cost savings. . . . ***[W]hen I talked about that $1 billion of cost savings in the last year, you can see the impact that had on us being able to expand our margins and our operating income.***

* * *

[ROLLINS – President/COO:] ***Performance we believe has been exceptional in a tough environment, and I think it just speaks volumes to what we think we have with our model . . . . [We] have been able to over the last year . . . improve the operating performance of the company by over 100 basis points.***

* * *

[**M. DELL – Chairman/CEO:**] ***[W]e believe our business model is structurally advantaged*** . . . . ***This past year we achieved . . . record operating income . . . in a down year for the industry, further differentiating Dell from our competitors.***

45. On 4/3/03, Deutsche Bank reported, based on Dell's analyst/investor meeting:

- ***. . . Overall tone was very upbeat, with mgmt highlighting . . . [that] Dell's business model is structurally advantaged to deliver better financial & operating performance . . . .***

* * *

- ***We continue to believe Dell is the best-positioned PC company based on the efficiencies of its direct model . . . .***

* * *

From a cost perspective, Mr. Schneider expects the company to deliver roughly $1.8 billion in cost savings in F2004, versus an approximate $1.2 billion reduction in F2003 . . . . Mr. Schneider also stressed the competitive advantage of the company's direct model.

* * *

Michael Dell . . . ***believes the company's direct model will continue to enable the company to outperform its competitors regardless of the economic climate.***

46. On or about 4/28/03, Dell's F03 Report on Form 10-K was filed with the SEC, signed by M. Dell, Carty, Miles, Schneider and Davis. The F03 10-K contained Dell's previously reported F03 financial results and statements, as audited and certified by PWC. The 10-K stated:

Business Strategy

Dell's business strategy combines its direct customer model with a highly efficient manufacturing and supply chain management organization and an emphasis on standards-based technologies. ***This strategy enables Dell to provide customers with . . . high-quality, relevant technology; . . . superior service and support; and products and services that are easy to buy and use.*** The key tenets of Dell's business strategy are as follows:

* * *

- . . . Dell's focus on cost control during fiscal 2003 resulted in the lowest operating expense (measured as a percent of net revenue) in Dell's history and the lowest among its major competitors. Dell's relentless focus on

reducing its operating costs allows it to consistently provide customers with a superior value.

* * *

Manufacturing

Dell manufactures most of the products it sells. . . .

Dell's manufacturing process consists of assembly, functional testing and quality control. Testing and quality control processes are also applied to components, parts and subassemblies obtained from suppliers. Quality control is maintained through the testing of components, parts and subassemblies at various stages in the manufacturing process. Quality control also includes a burn-in period for completed units after assembly, on-going product reliability audits, failure tracking for early identification of product and component problems . . . .

* * *

Fiscal 2003 Overview

Dell achieved industry-leading results and profitably grew market share in fiscal 2003 with record unit shipments, revenues and operating income dollars. . . . Dell generated record net revenue of $35.4 billion, and achieved operating income of approximately $2.8 billion, whereas its top competitors collectively continued to experience declining revenues and operating losses in their personal computer systems and related businesses. . . .

. . . In executing its strategy . . . Dell's continued focus on cost control resulted in record low operating expenses in fiscal 2003 as a percentage of revenue as well as improved operating margins. ***Management believes that Dell's continued industry-leading operating results validate that the Dell model excels in any macro-economic environment*** . . . .

Results of Operations

The following table summarizes the results of Dell's operations for each of the past three fiscal years. . . .

	1/31/03	Percentage Change	2/1/02
	Fiscal Year Ended (dollars in millions)		
Net revenue	$35,404	14%	$31,168
Gross margin	$6,349	15%	$5,507
% of net revenue	17.9%		17.7%
Operating expenses	$3,505	8%	$3,236
% of net revenue	9.9%		10.4%
Special charges	–		$482
Total operating expenses	$3,505	(6%)	$3,718
% of net revenue	9.9%		11.9%
Operating income	$2,844	59%	$1,789
% of net revenue	8.0%		5.8%
Net income	$2,122	70%	$1,246
% of net income	6.0%		4.0%

* * *

Gross Margin

Gross margin as a percentage of net revenue increased from 17.7% in fiscal 2002 to 17.9% in fiscal 2003. Gross margin increased . . . primarily as a result of Dell's cost reduction initiatives and declining component costs. As part of its focus on improving margins, Dell remains committed to reducing costs to . . . improve profitability through . . . manufacturing costs, warranty costs . . . and overhead or operating expenses.

* * *

Operating Expenses

	1/31/03	2/1/02	2/2/01
	Fiscal Year Ended (dollars in millions)		
Total operating expenses	$3,505	$3,718	$3,780
Percentage of net income	9.9%	11.9%	11.8%

* * *

Critical Accounting Policies

Dell prepares its financial statements in conformity with generally accepted accounting principles in the U.S. Dell believes its most critical accounting policies relate to revenue recognition and warranty accruals.

* * *

Warranty – Dell records warranty liabilities for the estimated costs that may be incurred under its basic limited warranty as well as under separately priced extended warranty and service contracts for which Dell is obligated to perform. These liabilities are accrued at the time product revenue is recognized.

47. Dell's F03 Report on Form 10-K also contained the Sarbanes-Oxley certifications signed by M. Dell and Schneider detailed at ¶¶269-273.

48. On 5/15/03, Dell reported ***record*** financial results for its 1stQ F04 – the quarter ended 4/30/03 – via a release, stating:

DELL'S Q1 REVENUE UP 18 PERCENT, OPERATING INCOME UP 37 PERCENT . . .

* * *

Dell reported its best-ever fiscal first-quarter operating results . . . .

* * *

Dell's first-quarter net earnings totaled $598 million, or 23 cents per share, up from $457 million, or 17 cents per share, for the same period one year ago. Revenue was $9.5 billion, up 18 percent from $8.1 billion.

	1st Quarter		
	FY '04	FY '03	Change
Revenue	$9,532	$8,066	18%
Operating Income	$811	$590	37%
Net Income	$598	$457	31%
EPS	$.23	$.17	35%

"Dell's unique ability is innovating, integrating and delivering technology with the best possible value, and ***our execution in those areas has never been better,***" . . . [said Michael S. Dell].

First-quarter operating profit as a percent of revenue was 8.5 percent, ***Dell's highest in two and one-half years. Operating expenses were a record low 9.8 percent of revenue, down from 9.9 percent a year ago.***

49. On 5/15/03, Dell held a conference call for analysts, money managers and institutional investors to discuss Dell's business and 1stQ F04 results. During the call, the following occurred:

[SCHNEIDER – CFO] . . . *Dell has consistently outperformed the market in all competitive environments and continues to do so . . . .* Specifically, our year-over-year revenue, unit and earnings growth significantly outpaced the market. While we believe industry revenues were down 5% year-over-year, sales revenue grew by 18% . . . . *We delivered improved profitability as operating income dollars grew by more than 37 percent year over year.*

. . . [W]e delivered 23 cents in earnings per share on $9.5 billion in revenues . . . . *[E]arnings grew significantly with earnings per share [up] 35 percent year over year. . . .*

* * *

[**M. DELL – Chairman/CEO**] . . . *[O]ur model is structurally advantaged enabling us to consistently deliver exceptional financial and operating performance in all environments.*

50. On 5/28/03, Bear Stearns issued a report on Dell, based on meetings with top Dell executives, reporting to the market what the executives had said to Bear Stearns:

Dell Computer Corp. – Outperform

* * *

A Visit To Dell: Takeaways From Meetings With Dell Management

* * *

Meeting with Kevin Rollins, President & COO

* * *

- **Consumer "Going Gangbusters":** *COO Kevin Rollins was very upbeat about Dell's performance and outlook in its consumer efforts saying that the consumer business is profitable, growing, and its brand is strengthening.*

* * *

Meeting With Marty Garvin, Senior VP (Worldwide Procurement):

- **Component Basket Still Trending Down:** . . . *Overall, Dell noted that the rate of component declines is slightly less than the prior quarter but the overall basket is still trending down.*

- **Lower Cost Doesn't Mean Lower Quality:** *Speaking about the tradeoffs between cost and quality of components, Dell noted that Dell's focus on driving down cost does not mean that there are quality tradeoffs . . . .*